FOREIGN DIRECT INVESTMENT IN PRINT MEDIA: STATE OF THE FOURTH ESTATE

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Abstract : Foreign Direct Investment in India has seen several reforms in the last decade. This paper tries to look at the current scenario in the print media and the likely response of several media houses which could change the media landscape in the not so distant future. The issue is not about who is holding what stake in which media organisation, neither is it of why a particular policy decision has been taken by the Government in recent times. The concern is over the information supplied by the media organisations and to what extent is the content unbiased.

Keywords: Foreign Direct Investment, Print Media

INTRODUCTION

The paper attempts to look at the broader impact of this substantial growth that the media is likely to see and its implications on the media those carrying news in particular.

Currently the cap on FDI in newspapers and news channels is at 26%. Towards the end of 2012 the Government has permitted 74% FDI in the broadcast sector. This decision has been welcomed globally as it opens up fresh avenues for investors who have been eagerly waiting for India to further liberalise its FDI policy. The decision to raise the cap to 74% will also impact the Government's decision to migrate cable users to a digital platform either via DTH or digital cable. GEC's will benefit as a consequence & transmission quality will improve further for users. Cross ownership restrictions are still not very clear in the Indian market place as they are in some other countries. There is a genuine fear that this may lead to a creation of a monopoly or a duopoly. Several media houses have shared their concern regarding the impact these decisions will have particularly on the smaller media entities amongst them.

I have done an overview of how the FDI in print if raised to 49% will impact the Indian newspaper reader. SIC (Sectoral Innovation Council) the committee headed by former I&B secretary Ms. Asha Swarup has members comprising Government and private sector professionals was formed in 2012 and their recommendations will be considered by the I&B Ministry. Pratul Sharma in his article in Business Today, Jan 17, 2013, clearly expresses his concern on what will be the implication of a 49% FDI in print if the govt accepts the recommendation of the SIC. According to him newspaper readership is likely to cross the 310 billion mark by 2015.

OBSERVATIONS

Before we get into further analysis lets understand the definition of FDI as given by IMF and OECD:

Foreign direct investment enterprise is an enterprise (institutional unit) in the financial or non-financial corporate sectors of the economy in which a non-resident investor owns 10 per cent or more of the voting power of an incorporated enterprise or has the equivalent ownership in an enterprise operating under another legal structure.

IMF-OECD definition of FDI

FDI statistics are part of the balance of payments statistics collated and presented according to the guidelines stated in IMF Balance of Payments Manual, Fifth Edition, 1993 (BPM5) and Organization for Economic Cooperation and Development (OECD) Benchmark Definition of Foreign Direct Investment (Benchmark), Third Edition, 1999. The IMF definition is adopted by most countries and also by United Nations Council for Trade and Development (UNCTAD) for reporting FDI data in its annual publication entitled 'World Investment Report'.

According to the IMF BPM5, paragraph 359, FDI is the category of international investment that reflects the objective of a resident entity in one economy ("direct investor" or parent enterprise) obtaining a 'lasting interest' and control in an enterprise resident in another economy ("direct investment enterprise"). The two criteria incorporated in the notion of "lasting interest" are: ¾ the existence of a long-term relationship between the direct investor and the enterprise and, ¾ the significant degree of influence that gives the direct investor an effective voice in the management of the enterprise.

FDI In Print: exchange4media.com Poll Results

It was an overwhelming yes. Over 80% of polls were cast favouring the infusion of foreign funds in the protected Print sector. The participants were a cross section of media professionals including heads of leading print houses. However, INS, nodal body of publishers, believes that the most print publishers are against allowing FDI in print. INS President Pratap Pawar shared with exchange4media that he believes 'overwhelming majority of Publishers are against FDI.'

The topical poll, which ran on exchange4media for about a month, drew a massive response. Over 1,000 communication professionals, cutting across organizations and hierarchies, polled. 81% of polls were cast in favour of allowing FDI in print. 30% of these participants were from media houses including heads of the largest magazine and newspaper group. Several participants were from regional print players exhorting for allowing FDI. Media and Advertising professional, (categorized in Agencies below) constituting 21% of voters, were largely in favour of allowing FDI.

Chart I: Poll Result Summary

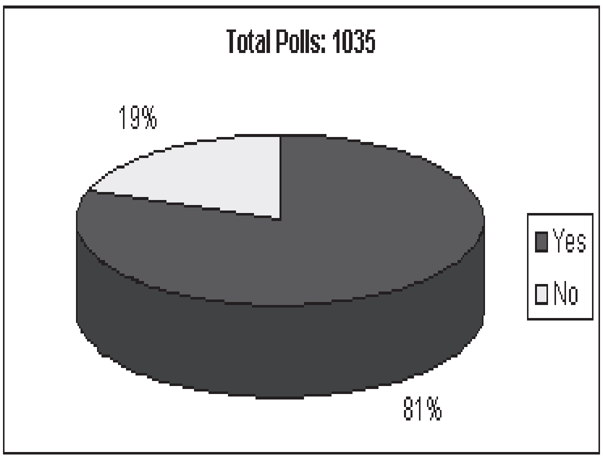
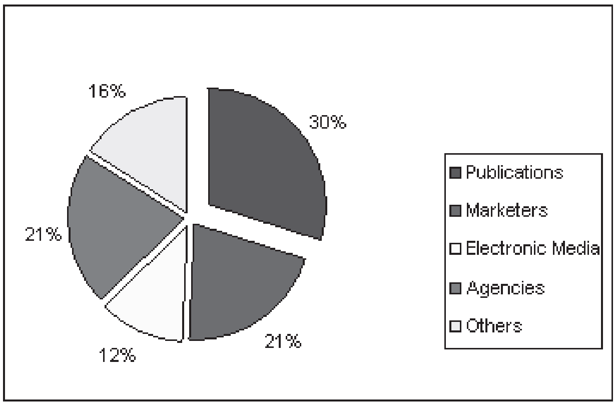


Chart II: Profile of Participants favoring FDI: By Organization



FDI and the conscious efforts to revive the Indian Economy will encourage a lot of investors to invest in the Indian media sector. According to Anurag Batra in the Jan 12 issue of IMPACT magazine the govt is aiming at increasing India's share in the global FDI space from 1.3% to 5% b y 2017.

Innovation in the media sector driven by FDI has its own pros and cons. This paper will try to deal with the fear that small domestic players have of the foreign entities affecting a complete takeover of the domestic media space. In June 2002 the Government allowed 26% of FDI in News and Current Affairs related media and 74 % in technical and Mechanical magazines and Journals. It was a clear reversal of the cabinet resolution taken in 1955 by the then govt of barring foreign investment in media.

On September 14, 2012, Government has raised the FDI cap in Broadcast sector from 49% to 74% but not in TV news channels and Radio where it continues to be 26%. The same cap for DTH, HITS & MSO is 74%.

Indian Print Media has also been termed as "protected" by certain critics. The media groups are clearly divided in their views on the welcoming of foreign players in the Indian Media space. Reasons bandied about for opposing FDI include national security interest, public sentiment and assault on culture etc.

Media houses like The TOI, The Hindu, The Bhaskar group, The Delhi Press or the INS (Indian Newspaper Society) all subscribe to anti FDI views.

Endorsing the move to allow 26 per cent FDI, Editor and Publisher of *Business Standard*, T.N. Ninan said, “This is not about patriotism. It is about monopoly.”

Maintaining that Bennet and Coleman Ltd, the publishers of the *Times of India*, which opposed FDI, made more money than the total income of all other publishing houses put together, Ninan wondered why the group, which had negotiated with international publishing houses for equity stakes in the past, was today opposing the move?

Claiming that several major newspapers were in favour of FDI, Ninan said the government need not go by unanimity on the issue.

Managing Executive Editor of the *Times of India* Dileep Padgaonkar claimed that 34 out of 50 newspapers in a survey were opposed to FDI as also 76.3 per cent of the readership, besides NDA allies, the Indian Newspaper Society and even the Sangh Parivar and Opposition parties.

Padgaonkar said his group was more concerned about “collateral interests” the foreign investors might have.

Moderating the debate, noted columnist Kuldeep Nayyar said newspaper was not an industry and expressed apprehension that the move could be aimed at bringing in NRIs with a view to promote “Hindutva” agenda. The question of the nation’s sovereignty was at stake, he said.

Outlook Editor-in-Chief Vinod Mehta said the move could be an attempt ahead of next general elections to pressurise major newspapers who have been consistently opposing it.

While the FDI entry was good, particularly for journalists who are treated “badly” by some papers, it should be brought about in an atmosphere of “consensus and not a divisive atmosphere marked by deep disagreement”, Mehta said.

Mainstream Editor Sumit Chakravarty said the move was ill-timed in view of the security situation and the opposition from the Editors’ Guild, Press Council and other leading organisations.

(Excerpts of a debate conducted in the capital where editors of various media houses were sharply divided on FDI in print media July 5, 2002) PTI

CONCLUSION

Indian print industry is estimated at US $ 3.7 billion in 2010 according to PWC(PricewaterhouseCoopers). Hindi dailies have the highest growth in readership. Regional players are expected to grow at a brisk pace, both in terms of advertising revenue as well as market expansion. There are more than 62,000 newspapers printed in India, around 92% of which are published in Hindi & other vernacular languages.

Newspaper publishers are expected to continue to increase their presence in the online format. Niche and business magazines are showing good growth. Finally, print is likely to show steady growth for the next five years.

India has 49,000 publications, but annual revenues totals just $1.1 billion. While they can be vibrant and gutsy, most are starved for technology, marketing, and capital to expand. So, a handful of publications dominate. Chief among them is the Times of India Group, which long used its political clout to block foreign entrants by claiming news media are a “strategic” industry. Its seven newspapers have a total circulation of 2.2 million.

There’s little doubt about India’s market potential. According to a national survey, 248 million literate adults still don’t read any publication. But readership of newspapers and magazines is up 15% since 1998, to 180 million. One of the few local media houses in favour of foreign investment has been the India Today Group, publishers of India’s largest circulating news magazine.

Foreign Direct Investment in the Indian Print Media could have its own merits & demerits. HM Agarwal has rightly observed in his book Journalism Administration “Allowing foreign print media promotes a healthy competitive spirit & entrepreneurship in Indian newspaper industry. In a free global village foreign entry into newspaper industry anybody can own a paper.” He also adds “The foreign press would definitely pose a direct danger to the Indian language newspapers which are the real moulder of public opinion. The question to ponder upon is, does hybridised, synthesised & urbanised culture promote national interest.

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